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FIFTY-SIXTH
ANNUAL REPORT

1968

SANGAMO COMPANY LIMITED

HEAD OFFICE: 215 LAIRD DRIVE, TORONTO 17, CANADA



SANGAMO COMPANY, LIMITED

BOARD OF DIRECTORS

✓ L. C. COLLINGWOOD	President	Toronto, Ont.
✓ R. H. DAVIES	President, Sangamo Electric Company	Springfield, Ill.
HON. G. B. FOSTER M.B.E., Q.C.	Chairman of the Board, Canada and Dominion Sugar Co. Ltd.	Montreal, Que.
✓ C. H. LANPHIER	Chairman of the Board, Sangamo Electric Company	Springfield, Ill.
J. A. McDUGALD	Chairman of the Board and President, Crown Trust Company	Toronto, Ont.
✓ G. E. ROBERTSON	Former Vice-Chairman of the Board	Guelph, Ont.
✓ J. M. TORY, Q.C.	Partner, Tory, Tory, DesLauriers and Binnington, Solicitors	Toronto, Ont.
✓ C. E. VANCIL	Vice-President and Secretary, Sangamo Electric Company	Springfield, Ill.

*George Vale
nominated 1st
Wynne*

*Vale is pres. R.G.
Vale Ltd., 10' 8"
agency - connected
electrical industry*

*f. own a registered 124,000
U.S. Patent - about 120,000 shares*

CORPORATE

AUDITORS

Arthur Young, Clarkson, Gordon & Co.

SHARES LISTED

The shares of the Company are listed on the Canadian Stock Exchange, Montreal, Quebec. Transfers of shares at the Head Office of the Company, Toronto, and Montreal Branch Office.

OFFICERS

L. C. COLLINGWOOD	President
D. A. COBBAN	Vice-President and Secretary-Treasurer
P. GREIG	Vice-President
A. E. VAN CLIEAF	Vice-President
J. H. BERRY	Controller and Assistant Secretary

ANNUAL MEETING

Annual Meeting of Shareholders is to be held on April 24th, 1969, at the Head Office of the Company, 215 Laird Drive, Toronto 17, Ontario.

FINANCIAL HIGHLIGHTS

	<u>1968</u>	<u>1967</u>
Net sales	\$12,084,540	\$12,687,028
Net profit (loss)	(456,777)	(144,910)
Net profit (loss) per share	(2.52)	(.80)
Expenditure for land, buildings, machinery and equipment	339,356	546,801
Depreciation	453,815	454,617
Shareholders' equity	3,890,096	4,346,873
Shares outstanding at end of period	181,212	181,212
Book value per share	21.47	23.99
Working capital	2,946,671	3,705,319
Current ratio	2.2:1	2.3:1

ORGANIZATION

PLANTS

Toronto, Ontario
 Guelph, Ontario
 Trois Rivières, Quebec

SALES OFFICES

Atlantic Region — Halifax
 Quebec Region — Montreal
 Central Region — Toronto
 Western Region — Winnipeg, Calgary and Vancouver
 Export Region — Toronto

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LETTER TO THE SHAREHOLDERS

During 1968 the Company sustained a loss of \$456,777, or \$2.52 per share. For the most part, problems associated with the Motor Division were directly responsible for the loss.

The motor manufacturing operations were consolidated in 1968 by moving the Leaside plant motor production to the Guelph plant. High expenses were incurred, not only in physically moving production to Guelph, but in training personnel and attempting to achieve a higher degree of productivity. The Power Equipment Division put the "K" family of meters into full production. By mid-year most of the production and engineering problems normally related to a completely new product line had been resolved and the weak operating position which had developed late in 1967 was reversed. Working Capital was reduced to \$2,946,671, and no dividends were declared.

Indications based on the results of the early months of 1969 show that the Company has moved into a profit posture and efforts are going well to increase the degree of profitability throughout the year.

Mr. J. M. Roe, who has served the Company faithfully and well for many years, retired during 1968. We would like to extend our sincere appreciation to Mr. Roe for the fine contribution he has made to the Company. At the Directors Meeting of April 25, 1968, Mr. A. E. Van Clieaf was elected Vice-President of the Company.

The Directors and Officers wish to express their appreciation to all employees for their continued efforts and loyalty throughout the year.

Respectfully submitted,

L. C. COLLINGWOOD, *President.*

April 10, 1969.

AUDITORS' REPORT

To the Shareholders of Sangamo Company, Limited:

We have examined the balance sheet of Sangamo Company, Limited as at December 31, 1968 and the related statements of income and retained earnings and source and use of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of Sangamo Company, Limited at December 31, 1968 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR YOUNG, CLARKSON, GORDON & CO.

Chartered Accountants

Toronto, Canada, February 12, 1969.

SANGAMO COM

(Incorporated under

BALANCE

December

(with comparative fig

ASSETS

	<u>1968</u>	<u>1967</u>
CURRENT:		
Accounts receivable	\$1,665,531	\$1,897,026
Inventories, at the lower of cost and net realizable value —		
Raw materials, work in process and finished parts .	2,372,945	2,812,153
Finished goods	1,183,880	1,465,148
	<u>3,556,825</u>	<u>4,277,301</u>
Income taxes recoverable		138,841
Tender and performance deposits	197,125	197,125
Prepaid expenses	38,362	26,203
5% special refundable tax receivable within one year	<u>1,017</u>	<u>10,750</u>
Total current assets	<u>5,458,860</u>	<u>6,547,246</u>
5% Special refundable tax receivable after one year		<u>7,467</u>
FIXED:		
Land — at cost	312,950	312,950
Buildings, machinery and equipment — at cost \$7,146,451		
Less accumulated depreciation	<u>5,111,958</u>	<u>2,167,055</u>
	<u>2,034,493</u>	<u>2,480,005</u>
UNAMORTIZED DEBENTURE DISCOUNT	<u>70,982</u>	<u>76,082</u>
	<u>\$7,877,285</u>	<u>\$9,110,800</u>

*reduction in
sales volume**reflections
expensed
investor
control*

On Behalf of the Board:

L. C. COLLINGS

J. M.

(See accompanying note

Sir

NY, LIMITED

(laws of Canada)

SHEET

, 1968

at December 31, 1967)

LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>1968</u>	<u>1967</u>
CURRENT:		
Bank indebtedness	\$1,433,931	\$1,707,193
Accounts payable and accrued expenses	822,425	904,230
Taxes payable	121,119	105,816
Funded debt due within one year	38,000	75,000
Payable to parent company	<u>96,714</u>	<u>49,688</u>
Total current liabilities	2,512,189	2,841,927
DEFERRED INCOME TAXES (NOTE 2):		372,000
FUNDED DEBT DUE AFTER ONE YEAR:		
6% Secured Sinking Fund Debentures, Series "A" due December 15, 1982	1,475,000	1,550,000
SHAREHOLDERS' EQUITY:		
Capital —		
Authorized:		
200,000 common shares of no par value		
Issued:		
181,212 common shares	505,135	505,135
Retained earnings (note 3)	<u>3,384,961</u>	<u>3,841,738</u>
	<u>3,890,096</u>	<u>4,346,873</u>
	<u>\$7,877,285</u>	<u>\$9,110,800</u>

*Improvement -
inventory portion*

OOD, Director

ORY, Director

financial statements)

SANGAMO COMPANY, LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

Year Ended December 31, 1968
(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
NET SALES:	<u>\$12,084,540</u>	<u>\$12,687,028</u>
Less:		
Cost of sales excluding depreciation	10,662,144	10,661,218
Selling, general and administrative expenses	1,702,118	1,732,864
Depreciation (note 1)	453,815	454,617
Interest on funded debt	95,240	100,239
	<u>12,913,317</u>	<u>12,948,938</u>
Loss before income taxes	(828,777)	(261,910)
Income taxes (note 2)	<u>(372,000)</u>	<u>(117,000)</u>
Net loss for the year	(456,777)	(144,910)
Retained earnings, beginning of year	<u>3,841,738</u>	<u>3,986,648</u>
Retained earnings, end of year	<u>\$ 3,384,961</u>	<u>\$ 3,841,738</u>

(See accompanying notes to financial statements)

SANGAMO COMPANY, LIMITED

SOURCE AND USE OF FUNDS

Year Ended December 31, 1968
(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
USE OF FUNDS:		
For operations —		
Net loss for the year	\$456,777	\$144,910
Add income taxes (note 2)	372,000	6,000
	<u>828,777</u>	<u>150,910</u>
Deduct depreciation and amortization of debenture discount, not requiring an outlay of funds	458,915	459,717
Total funds used for (provided from) operations	369,862	(308,807)
Net additions to fixed assets	321,253	545,446
Redemption of long term debt	75,000	75,000
	<u>766,115</u>	<u>311,639</u>
SOURCE OF FUNDS:		
5% special refundable tax	7,467	15,119
Decrease in working capital	<u>\$758,648</u>	<u>\$296,520</u>

(See accompanying notes to financial statements)

SANGAMO COMPANY, LIMITED

NOTES TO FINANCIAL STATEMENTS

Year Ended December 31, 1968

1. Depreciation is calculated using the straight-line method applied to the estimated useful lives of assets, substantially as follows:

<u>Asset type</u>	<u>Estimated service life</u>	<u>Amount</u>	
		<u>1968</u>	<u>1967</u>
Buildings	20 and 40 years	\$ 44,923	\$ 43,958
Machinery and equipment:			
General	10 and 15 years	155,961	159,824
Tools and dies	3 years	<u>252,931</u>	<u>250,835</u>
Total provided		<u><u>\$453,815</u></u>	<u><u>\$454,617</u></u>

2. As a result of the loss in 1968, the balance of the provision for deferred taxes of \$372,000 made in prior years is no longer required and has been restored to income. Losses available for carry-forward to future years may reduce taxes in those years by up to \$45,000.
3. Certain covenants contained in the trust deed relating to the 6% Secured Sinking Fund Debentures prohibit the payment of dividends if net current assets (as defined) or shareholders' equity (as defined) are less than or would be reduced to less than \$2,500,000 and \$3,500,000 respectively.
4. Remuneration paid to the company's directors, including directors holding salaried employment, totalled \$61,000 in 1968 and \$72,900 in 1967.
5. As a result of union negotiations held in 1967, the company agreed to alter in 1968 one of its pension plans so that employees would receive additional past service credits. This change results in an additional yearly charge to income of approximately \$15,000 over a 22 year period. The actuarially computed present value of the company's total past service pension obligations at December 31, 1968 amounted to approximately \$280,000, of which \$220,000 was vested in accordance with the trust agreement. These total obligations are being absorbed against income in the amount of \$21,000 a year over a 22 year period.

SANGAMO PRINCIPAL PRODUCTS

ELECTRICAL METERING EQUIPMENT

Singlephase Watthour Meters - Polyphase Watthour Meters
Singlephase Demand Energy Meters - Polyphase Demand Energy Meters
Polyphase Demand Meters - Low Voltage Current Transformers
Low Voltage Potential Transformers - Metering Units
Test Boards

ROTATING ELECTRICAL EQUIPMENT

Singlephase Induction Motors, Splitphase, Capacitor and Repulsion Start types
Polyphase Induction Motors, fractional and integral horsepower
Direct Current Motors, fractional and integral horsepower
DC Generators - AC Alternators - Motor Generator Sets

OTHER MANUFACTURED PRODUCTS

Meteorological Radiosondes - Lamb Electric Vacuum Motor Units

PRINCIPAL RESALE PRODUCTS

SANGAMO Amperehour Meters — Electronic Communication Equipment
Tachographs and Time Switches
HD Electric Test Instruments
TESCO Meter Accessories
LELAND-NEWMAN Motors
LAMB ELECTRIC Universal Motors

